

INDIANA DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

MEMORANDUM

To: Interested Parties (nonEGUs)
From: Janet G. McCabe
Re: Allocation Methodology
Date: May 21, 2001

Attached is a table showing three possible allocation approaches for the existing nonEGUs subject to the NOx SIP Call trading budget program.

Option 1 is the approach included in the proposed rule. Option 2 is the alternative we have previously discussed, which uses 0.17 lbs/MMBtu or a 60% reduction from average emission rates from 1995 through 1999 as the basis for initial allocations. As noted in my memo of last week, each of these options affects sources differently, given their differing historical, current, and future situations.

Option 3 reflects IDEM's intent to provide a source specific approach that reflects legal realities in terms of operating scenarios and is estimated to represent a lower cost alternative than either Option 1 or Option 2. We derived the specific allocations in the following way:

Step 1: Identify legal operating constraints for sources and adjust their allocations accordingly.

National Steel no longer has a permit to operate its boiler and has no present plans to operate it in the future (it would need a new permit in any event, so would be considered a new source). *Allocation: 0 tons.*

Portside's maximum allowable emissions under its permit, assuming full operation during the ozone season, is 89 tons. *Allocation: 89 tons.*

Inland Steel is seeking a permit modification for the 4AC station that would allow maximum emissions of 1368 tons during the ozone season. Inland's requested modification is very recent and this allocation may be revised. *Allocation: 1368 tons.*

Step 2: For the sources not addressed in Step 1, calculate the mid-point between their allocations under Options 1 and 2.

Citizens Thermal	521
New Energy	230
ALCOA	3055
BP Amoco	1316
Purdue	67
AEP	3

Step 3: Total the tons allowed under Steps 1 and 2; redistribute remaining tons to sources listed in Step 2 (except AEP) pro rata.

Total of Step 1 and Step 2 = 6649. There are 200 tons remaining for redistribution.

Citizens Thermal	$521 + 20 = 541$
New Energy	$230 + 8 = 238$
ALCOA	$3055 + 117 = 3172$
BP Amoco	$1316 + 50 = 1366$
Purdue	$67 + 2 = 69$

Total of all sources: 6846 tons. (Budget is 6849 tons)

At this time, IDEM prefers Option 3. We are available to discuss this at the NO_x workgroup meeting on May 22, 1:00 PM, Indiana Government Center South, Conference Center Room C. Or feel free to contact me at 317-232-8222 if you would like to discuss this proposed allocation methodology.

Cc: NO_x Interested Parties List